

# The Shadowy World of IPA Finances

Clive Hamilton

Last week's [revelations](#) about the Heartland Institute, probably the most important climate science denying organisation in the United States, raise some questions about the murky influence of think tanks on the climate debate in this country.

Confidential documents from the Heartland Institute reveal how wealthy individuals have actively promoted the campaign to attack the credibility of the world's top climate scientists and create the impression that there is a controversy about the main propositions of global warming science. In fact the bulk of Heartland's climate science denial campaign—which includes plans to promote anti-science in schools—has been funded by one donor, whose name did not appear in the purloined documents.

There is a direct Australian link in the Heartland Institute files. Bob Carter, an adjunct research professor at James Cook University, has a [long-standing record](#) of denying climate science. Now it is revealed that he is on the payroll of the Heartland Institute, to the tune of \$1,667 per month for unspecified work. On his [personal webpage](#), Carter declares that “he receives no research funding from special interest organisations such as environmental groups, energy companies or government departments,” a claim that on the scale of truth matches his reporting of climate science.

Carter is also a fellow at the right-wing Melbourne think tank, the Institute of Public Affairs, which has for many years been the principal originator of anti-climate science propaganda in this country. The IPA is closely linked to the Heartland Institute, not least through its sponsorship of two of its recent conferences.

The secret funding of the Heartland Institute once again focuses attention on the financing of the IPA and particularly its sustained attacks on climate science and all policies aimed at cutting Australia's greenhouse gas emissions.

The IPA is notoriously secretive about its sources of funding. Its senior staff have refused to answer journalists' questions, although over the years enough information has leaked out to suggest that much of its funding has come from the oil and mining industries, [including](#) Exxon, Shell, Caltex and BHP-Billiton.

The IPA's executive director John Roskam, who used to work for Rio Tinto, [has said](#) that donors to the Institute want to remain anonymous because they “have been intimidated because of their supposed support for us”.

The IPA's coyness is all the more hypocritical because a few years ago it launched a sustained attack on NGOs by claiming they were unaccountable, unrepresentative and not worthy of charitable status. The demand for transparency applies to everyone but itself.

Despite its refusal to divulge, we can make a good guess at where a large part of its recent funding has come from—right-wing mining billionaire Gina Rinehart.

In August 2010 the Institute's magazine carried a [prominent article](#) by two of its staff titled “Unleash the North”. It advocated the creation of a special economic zone to cover the

northern half of the continent where companies would have lower levels of regulation, cheap labour could be imported from developing countries and tax rates would be cut.

This proposal exactly parallels Gina Rinehart's campaign for a special economic zone in northern Australia where companies like hers could enjoy special privileges. She has set up a lobby group called Australians for Northern Development and Economic Vision ([ANDEV](#)) to promote the idea.

Within months the Institute had established a new 'North Australia Project', with its own [website](#), and from May 2011 began churning out media releases promoting the special economic zone, beginning with a "landmark Galaxy poll" that purported to show that 60% of Australians "think Canberra is out of touch with Northern Australia".

(In a move that shows polling groups will pose the most absurd questions if paid enough to do so, Galaxy asked whether "in your opinion, do decision makers in Canberra understand the needs of families and businesses living in Northern Australia?" as if the average punter is *au fait* with the needs of families and businesses in semi-tropical Australia and equally well-informed about "Canberra" thinks about it.)

The new director of the North Australia Project, Hugh Tobin, declared: "The government should put in place a Special Economic Zone in Northern Australia. A low tax, low regulation zone would drive continued long term investment in the Australian resource industry". John Roskam also began [spruiking](#) the marvels of Rinehart's northern zone.

Subsequent media releases warned of an out-of-touch Canberra, the danger of falling iron ore prices, the fragility of the resources boom, skills shortages, and the need to cut taxes and simplify regulation. They call for a "business friendly", "low tax, low regulation Special Economic Zone". The IPA's outpourings have been reproduced in mining industry magazines and will undoubtedly soon be echoed by right-wing newspaper columnists.

If the words in the media releases were not dictated down the phone by Gina Rinehart, then they could have been. I would be willing to bet \$1,000 that she is now a major funder of the Institute of Public Affairs. In fact, the IPA has admitted that it is "working with Australians for Northern Development and Economic Vision", Rinehart's lobby group.

In June 2011 [the IPA said](#) it was conducting a series of seminars throughout Northern Australia to "build the case for, and gather input into the establishment of a Northern SEZ". It has taken Bob Carter to Weipa, Kunanurra, Darwin, Broome, Mount Isa and several more towns.

Clearly, like its long-running involvement in the climate debate, the IPA is conducting a political campaign, which brings us directly to the question of whether the Institute is abiding by the laws under which it operates as a deductible gift recipient.

## **Tax law**

In 1987 the IPA restructured itself as a company limited by guarantee, which means that its directors are not liable for any debts it might incur. The restructure enabled it to apply to become an Approved Research Institute (ARI) and thus be eligible for endorsement as a deductible gift recipient (DGR). In other words, donors to the Institute would be able to claim

a tax deduction for their donations. DGR status is the most valuable asset of an organisation like the IPA because without it virtually no-one would donate to it.

In order for the IPA to become a DGR it had to apply to the Secretary of what is now the Federal Department of Innovation, Industry, Science and Research giving various undertakings.

Most importantly, it had to undertake to use all tax-deductible donations exclusively for scientific research, [more particularly](#), “scientific research which is, or may prove to be, of value to Australia”. In this context, the authorities have ruled that “scientific research” includes social scientific research.

The IPA also had to undertake to create a separate bank account into which all tax-deductible gifts must be deposited. The Institute’s financial statements show that it keeps some of its cash in an account called “NAB Research Account”. On 30 June 2010 it held \$385,647.

It must also ensure that all disbursements from this research account are evaluated and approved by “a suitably qualified research committee” of at least five members, the majority of whom are appropriately qualified in the field of research that is to be undertaken or have appropriate experience in reviewing research, and who should be nominated on the basis of their “proven ability to direct a research program” As far as I can tell, the IPA has not made public the membership of its research committee.

The rules state explicitly that tax-deductible funds may not be used for “the organisation of conferences, congresses and symposia and the publication of information (other than the results of the ARI’s own research work, undertaken through this program).”

All of this raises the question of whether donations to the IPA for which the donor has claimed a tax deduction are being used in compliance with the law.

The IPA has devoted considerable resources to staging public meetings to campaign against the federal government’s carbon tax. In the year to 30 June 2010 it hosted 40 events around the country. This is clearly a political campaign; in no sense could these activities be called scientific research. So were the public meetings funded from tax deductible gifts? Did the Institute’s research committee approve spending on these events? It may well be that they were funded from other sources, but we can’t tell because of the IPA’s lack of disclosure.

Similar questions can be asked about the series of seminars the IPA is conducting in northern Australia to build support for a special economic zone. It would be hard to defend these activities as “scientific research”. The funds, it would seem, are being spent on “the organisation of conferences, congresses and symposia” on which tax-deductible gifts may not be spent.

Last year the IPA paid for two full-page advertisements in the *Australian* attacking the government’s climate change policy. The cost would have been in the order of \$100,000. Who paid for them? Were they paid for with tax deductible gifts?

While we cannot be sure why the IPA refuses to come clean about its sources of funds, or what those sources are, if it were to be revealed that they included the mining industry or mining magnates then journalists would be obliged to report the fact each time they wrote a story about the IPA. The environment groups that the IPA has attacked for lack of

accountability are transparent about their funding, yet the IPA knows that its credibility would be shot if it were seen to be the mouthpiece of big business with an interest in undermining climate science and climate policy.

The public may not have the means to shed light on the murky world of IPA finances, but the Tax Commissioner does. He should open up the Institute's books to ensure it is complying with the law and to force on the IPA the transparency it demands of others.

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